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Argentina

Oilseeds and Products

Monthly Update for March Lockup 2002

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Report Highlights:

The Argentine Government increased the export tax on soybeans and sunflower seed (for crushing) to 13.5 percent and established an export tax of 5 percent for oilseed oil and meal. The Government reversed a previous decision to convert dollar credits for purchases of inputs into pesos. Dry weather in key areas has reduced yield prospects, while planted area is estimated to be larger than expected at 11.5 million hectares.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Buenos Aires [AR1], AR

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Policy

The Argentine Economy Minister announced on March 4 that the government is placing a 10 percent tax on primary product exports (wheat, corn, soybeans, etc.) and 5 percent tax on processed agricultural and industrial products. The implementing regulations were published on March 5 in regulation M.E. No. 11/2002 and the tax is effective immediately. In the oilseed sector, the measure increases the export tax on soybeans and sunflowerseed (for crushing) to 13.5 percent and established an export tax of 5 percent for oilseed oil and meal.

The implementing regulation provides that all products in the attached table (Table 1) will be charged an export tax of 10 percent. This list mainly consists of unprocessed agricultural and non-agricultural products (such as corn, wheat and soybeans). All other products, mainly processed agricultural products (such as soybean oil and meal) and industrial products, pay an export tax of 5 percent. Petroleum products are treated separately and will pay a higher tax. The export taxes are on top of any existing taxes (such as the 3.5 percent export tax for soybeans) and take effect upon publication of the regulation on March 5.

While a blow to the agricultural sector, the new taxes are not so large as to offset the financial gains from the devaluation. Even with the export tax, returns per hectare for soybeans and sunflower are at least 100 pesos (US\$50) per hectare higher than before the devaluation.

The government also decided that dollar debts for purchases of agricultural inputs (an estimated US\$3 billion) will not be converted into pesos at a one-to-one rate as previously announced. The new regulation was published on March 5 in Resolution 10/2002. The regulation does not affect the decision to convert dollar debts to banks into pesos at a one-to-one rate.

Under Resolution 10/2002, dollar debts for the purchase of seed, fertilizer and agro-chemicals will be repaid at the free market exchange rate (around two-to-one). This decision avoids major losses for agricultural input suppliers (seeds, fertilizer and agro-chemicals), but has not been well received by farm groups which are certain to work to reverse the decision.

Input suppliers have been a major source of short term credit for the agricultural sector. Prior to this announcement, input suppliers appeared likely to suffer large losses on the credit they gave out this year and had stopped supplying new credit. This decision is likely to make credit more available for purchasing inputs for the upcoming crop, a favorable development for crops like sunflower and corn with relatively high cash costs.

It is still early to fully assess the impact of the export tax and the decision on credit, particularly since these

decisions could be reversed in the future. An initial analysis suggests, however, that the export tax will encourage additional crushing of soybeans and sunflower in country. Argentina traditionally crushes most of its production (due to the tax structure), but was increasing exports of soybeans to China as a result of Chinese policies favoring soybean over soy oil imports. Argentina may also produce more sunflower and soybeans as a result of the more favorable tax treatment for oilseed products relative to grains, which will pay the higher 10 percent export tax.

Crop Conditions

Soybeans: Crop travel to the main soybean growing areas in northern Buenos Aires, Santa Fe and Cordoba indicates that yields are likely to be below last year due to dry conditions in key areas and the late stage of development for many second crop soybean areas. The damage was not, however, as severe as initially expected due to timely rains during the last week and the better ability of no-till soybeans to withstand dry conditions. The percent of soybean area planted no-till is much higher than in previous years with similar dry spells, which meant that field crops were able to maintain much more of the soil moisture from the heavy spring rains.

While soybean yields are expected to drop somewhat, the decrease has been offset by an increase in estimated crop area. We currently estimate planted area at 11.5 million hectares (harvested area of 11.5 million hectares), 200,000 hectares above previous estimates. The Argentine Government estimates planted area at 11.3 million hectares, but most local analysts are estimating planted area of between 11.3 and 11.9 million hectares. At this time, we suggest an increase in the area estimate, but no change in the total production.

Sunflower: Local analysts have increased their estimates of sunflower production to 3.4 to 3.5 million tons on the basis of good growing conditions in key areas and reports of good yields for some early harvested sunflower. Post suggests no change at this time in the current production estimate of 3.4 million tons.

Local Markets

The futures market in Buenos Aires continues to be closed (it has been closed since December 20). The government announced this week, however, that it will allow the futures market to operate in U.S. dollars, a major demand of the market. The market still has to work out how to deal with closing out the open positions, particularly in light of the major economic and policy changes since the market was first closed in December.

The volume of trade and purchases by exporters has increased in recent weeks, but uncertainty over government payment of value added tax reimbursements continues to affect the market. Farmers are also holding onto grain as a hedge against uncertainty due to the ongoing economic crisis in Argentina.

Table 1. Products Subject to 10 Percent Export Tax, Listed by HS Code
(Argentine regulation M.E. No. 11/2002 published on Mar. 5, 2002)

<u>Live Animals</u>		03022300		03037990
	01059200		03033100	
01011100		03022900		03038000
	01059300		03033200	
01011900		03023100		03061100
	01059900		03033300	
01012000		03023200		03061200
	01060010		03033900	
01021010		03023300		03061300
	01060090		03034100	
01021090		03023900		03061400
	<u>Fish, Seafood</u>		03034200	
01029011		03024000		03061900
	03011000		03034300	
01029019		03025000		03062100
	03019110		03034900	
01029090		03026100		03062200
	03019190		03035000	
01031000		03026200		03062300
	03019210		03036000	
01039100		03026300		03062400
	03019290		03037100	
01039200		03026400		03062900
	03019310		03037200	
01041011		03026500		03071000
	03019390		03037300	
01041019		03026600		03072100
	03019910		03037400	
01041090		03026910		03072900
	03019990		03037500	
01042010		03026990		03073100
	03021100		03037600	
01042090		03027000		03073900
	03021200		03037700	
01051110		03031000		03074100
	03021900		03037800	
01051190		03032100		03074911
	03022100		03037910	
01051200		03032200		03074919
	03022200		03037920	
01051900		03032900		03074920

	06029081		07112090	07133910
03075100		07049000		
	06029082		07113010	07133990
03075910		07051100		
	06029083		07113090	07134010
03075920		07051900		
	06029089		07114000	07134090
03076000		07052100		
	06029090		07119000	07135010
03079100		07052900		
	06031000		07122000	07135090
03079900		07061000		
	06039000		07123000	07139010
04090000		07069000		
	06041000		07129010	07139090
<u>Other Animal</u>		07070000		
<u>Products</u>	06049100		07129090	07141000
		07081000		
05051000	06049900		07131010	07142000
		07082000		
05059000	<u>Vegetables</u>		07131090	07149000
		07089000		
05080000	07011000		07132010	<u>Fruits</u>
		07091000		
05090000	07019000		07132090	08011110
		07092000		
<u>Live Plants</u>	07020000		07133110	08011190
		07093000		
06011000	07031011		07133190	08011900
		07094000		
06012000	07031019		07133210	08012100
		07095100		
06021000	07031021		07133290	08012200
		07095200		
06022000	07031029		07133311	08013100
		07096000		
06023000	07032010		07133319	08013200
		07097000		
06024000	07032090	07099000	07133321	08021100
	07039010			
06029010		07111000	07133329	08021200
	07039090			
06029021		07112010	07133391	08022100
	07041000			
06029029		07112020	07133399	08022200
	07042000			

08023100	08082010			
		10019010	10070010	12071010
08023200	08082020			
		10019090	10070090	12071090
08024000	08091000			
		10020010	10081010	12072010
08025000	08092000			
		10020090	10081090	12072090
08029000	08093010			
		10030010	10082010	12073010
08030000	08093020			
		10030091	10082090	12073090
08041010	08094000			
		10030098	10083010	12074010
08041020	08101000			
		10030099	10083090	12074090
08042010	08102000			
		10040010	10089010	12075010
08042020	08103000			
		10040090	10089090	12075090
08043000	08104000			
		10051000	<u>Oilseeds</u>	12076010
08044000	08105000			
		10059010	12010010	12076090
08045000	08109000			
		10059090	12010090	12079110
08051000	08121000			
		10061010	12021000	12079190
08052000	08122000			
		10061091	12022010	12079210
08053000	08129000			
		10061092	12022090	12079290
08054000				
	<u>Tea, Mate</u>	10062010	12030000	12079910
08059000				
	09011110	10062020	12040010	12079990
08061000				
	09011190	10063011	12040090	12081000
08071100				
	09011200	10063019	12050010	12089000
08071900				
	<u>Grains</u>	10063021	12050090	12091100
08072000				
	10011010	10063029	12060010	12091900
08081000				
	10011090	10064000	12060090	12092100

12092200	12129900	13023100	24011030	25062900
12092300	12130000	13023211	24011040	25070010
12092400	12141000	13023219	24011090	25070090
12092500	12149000	13023220	24012010	25081000
12092600	<u>Resins/ Extracts</u>	13023910	24012020	25082000
12092900	13011000	13023990	24012030	25083000
12093000	13012000	<u>Other Veg.</u>	24012040	25084010
12099100	13019000	14011000	24012090	25084090
12099900	13021100	14012000	24013000	25085000
12101000	13021110	14019000	<u>Minerals</u>	25086000
12102010	13021190	14021000	25010011	25087000
12102020	13021200	14029000	25010019	25090000
12111000	13021300	14031000	25010020	25101010
12112000	13021400	14039000	25010090	25101090
12119010	13021910	14041000	25020000	25102010
12119020	13021920	14042010	25030010	25102090
12119030	13021930	14042090	25030090	25111000
12119090	13021940	14049000	25041000	25112000
12121000	13021950	<u>Raw Coco</u>	25049000	25120000
12122000	13021960	18010000	25051000	25131100
12123000	13021990	<u>Tobacco</u>	25059000	25131900
12129100	13022010	24011010	25061000	25132000
12129200	13022090	24011020	25062100	25140000

25151100	25202010	25309020	26122000	44011000
25151210	25202090	25309030	26131010	44012100
25151220	25210000	25309040	26131090	44012200
25152000	25240010	25309090	26139010	44013000
25161100	25240020	26011100	26139090	44020000
25161200	25240090	26011200	26140010	44031000
25162100	25251000	26020010	26140090	44032000
25162200	25252000	26020090	26151010	44034100
25169000	25253000	26030010	26151020	44034900
25171000	25261000	26030090	26151090	44039100
25172000	25262000	26040000	26159000	44039200
25173000	25270000	26050000	26161000	44039900
25174100	25281000	26060011	26169000	45011000
25174900	25289000	26060012	26171000	45019000
25181000	25291000	26060090	26179000	50010000
25182000	25292100	26070000	31010000	<u>Raw Wool</u>
25183000	25292200	26080010	40011000	51011110
25191000	25293000	26080090	40012100	51011190
25199010	25301010	26090000	40012200	51011900
25199090	25301090	26100010	40012910	<u>Cotton</u>
25201011	25302000	26100090	40012920	52010010
25201019	25304000	26110000	40012990	52010020
25201020	25309010	26121000	40013000	52010090

	53031011		53052100
53011000		53041000	
	53031012		53059110
53021000		53051100	
	53031090		53059190

Note: Under the Harmonized System (HS), all tariff codes are the same internationally at the 6-digit level. All agricultural products that are not listed above are subject to a 5 percent export tax.